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PAGE 01 BEIJIN 18116 01 OF 03 050950Z  
ACTION EAP-00

RELEASED IN PART 33  
B1

INFO	LOG-00	ADS-00	AID-00	INR-07	EUR-00	SS-00	OPR-00
	CIAE-00	H-01	NEA-06	NSCE-00	NSAE-00	SSO-00	HA-09
	L-03	CTME-00	PM-10	PA-01	CCO-00	OMB-01	INRE-00
	OCS-06	CA-02	FBOE-05	A-00	USSS-00	USIE-00	SP-02
	OC-01	M-01	SR-06	PRS-01	DS-01	SCT-02	/065 W

-----165444 050959Z /25

O 050848Z JUL 89 ZFF4  
FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC NIACI IMMEDIATE 2550  
INFO AIT TAIPEI IMMEDIATE  
AMCONSUL GUANGZHOU IMMEDIATE  
AMCONSUL HNG KONG IMMEDIATE 3393  
AMCONSUL SHANGHAI IMMEDIATE  
AMCONSUL SHENYANG IMMEDIATE  
AMEMBASSY BANGKOK IMMEDIATE  
AMEMBASSY LONDON IMMEDIATE  
AMEMBASSY MOSCOW IMMEDIATE  
AMEMBASSY NEW DELHI IMMEDIATE  
AMEMBASSY PARIS IMMEDIATE  
AMEMBASSY SEOUL IMMEDIATE  
AMEMBASSY TOKYO IMMEDIATE  
USCINCPAC HONOLULU HI IMMEDIATE  
USIA WASHDC IMMEDIATE 8707  
SECDEF WASHDC IMMEDIATE  
AMCONSUL CHENGDU POUCH)

CONFIDENTIAL SECTION 01 OF 03 BEIJING 18116

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PAGE 02 BEIJIN 18116 01 OF 03 050950Z

E.O. 1 2356: DECL:OADR  
TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH  
SUBJECT: TFCH01 : SITREP NO. 71 , JULY 5, 1 700 LOCAL

/

1. CONFIDENTIAL ENTIRE TEXT.
2. SUMMARY. TWO AMERICAN BUSINESSMEN MET WITH STATE COUNCILLOR ZOU JIANHUA, WHO TOLD THE VISITING

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CHANNEL: n/a

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AMERICANS THAT MARTIAL LAW CANNOT BE LIFTED YET  
BECAUSE "THE SITUATION IS NOT YET UNDER CONTROL."  
ZOU TRIED TO ASSURE THE BUSINESSMEN THAT CHINA  
REMAINS COMMITTED TO ITS OPEN DOOR POLICY.

/  
3. ON TUESDAY, JULY 4, THE AUSTRALIAN EMBASSY BECAME  
THE SECOND DIPLOMATIC MISSION IN BEIJING TO HAVE  
HELMETED PAP GUARDS WITH AUTOMATIC WEAPONS STAND  
GUARD IN FRONT OF THE EMBASSY.

/  
4. THE OFFICIAL PRESS CONTINUED ITS CRITICAL ATTACK  
ON VOA, AND STATED THAT CNN CORRESPONDENT MIKE  
CHINOY'S REPORTS WERE INACCURATE. THE EMBASSY  
ECONOMIC SECTION REPORTS THAT COMMERCIAL AVIATION  
SERVICE TO BEIJING HAS BEEN SIGNIFICANTLY REDUCED,  
AND CALCULATES THAT LESS THAN 10 PERCENT OF THE  
NORMAL WEEKLY SUMMER SEAT CAPACITY IS FLYING INTO  
BEIJING. CHINA'S FLAG CARRIER, CAAC, MAY BE  
PA"ATICULAQRLY HARD HIT.

/  
5. THE NPC REVIEWED REPORTS THAT THE 1988 BUDGET  
DEFICIT WAS APPROXIMATELY 2 BILLION U.S. DOLLARS.  
THE NPC ALSO REVIEWED THE NEW DRAFT LAW PLACING MORE  
RESTRICTIONS ON DEMONSTRATIONS. THE LOCAL MEDIA IS  
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PAGE 03 BEIJIN 18116 01 OF 03 050950Z

REPORTING THAT 64 HAVE DIED AND MANY HAVE BEEN LEFT  
HOMELESS AS A RESULT OF FLOODING IN EAST CHINA.

/  
6. PREMIER LI PENG TOLD A VISITING OFFICIAL THAT  
CHINA WILL NOT FOLLOW THE CAPITALIST ROAD BECAUSE  
"CHINA WOULD BECOME AN APPENDAGE STATE TO CAPITALIST  
POWERS," AND THAT "CHINA MUST PRACTISE THE SOCIALIST  
SYSTEM". THE OFFICIAL PRESS CARRIED ANOTHER ARTICLE  
FROM PROFESSOR WANG OF COLUMBIA UNIVERSITY SUPPORTING  
THE CHINESE GOVERNMENT CRACKDOWN ON PRO-DEMOCRACY  
DEMONSTRATORS.

END SUMMARY.

AMERICAN BUSINESSMEN MEET WITH SENIOR CHINESE OFFICIAL

7. TWO AMERICAN BUSINESSMEN BRIEFED EMBASSY  
COMMERCIAL OFFICER ON THEIR RECENT MEETING WITH [REDACTED]

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[REDACTED] TOLD THE AMERICAN  
BUSINESSMEN THAT MARTIAL LAW IN BEIJING COULD NOT YET  
BE LIFTED BECAUSE "THE SITUATION IS NOT YET UNDER  
CONTROL." [REDACTED] THAT ON WEDNESDAY, JUNE 28, THERE  
WERE THREE SEPARATE INCIDENTS IN WHICH CIVILIANS  
FIRED ON THE PLA SOLDIERS, AND NO ONE HAS YET BEEN  
ARRESTED. THE SHANGHAI TRAIN BOMBING HAS ALSO CAUSED  
THE LEADERSHIP DISTRESS, [REDACTED] THE AMERICAN

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BUSINESSMEN SAID [REDACTED] EXPRESSED SYMPATHY FOR THE  
INNOCENT PEOPLE KILLED JUNE 3-4, BUT HELD TO THE  
PARTY LINE THAT CLEARING THE SQUARE WAS NECESSARY FOR  
STABILITY AND TO MAINTAIN AN ENVIRONMENT CONDUCIVE TO  
FOREIGN INVESTMENT.

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/ 8. THE BUSINESSMEN SAID [REDACTED] TRIED TO ASSURE  
THEM THAT THE LEADERSHIP IS COMMITTED TO ITS OPEN  
DOOR POLICY, AND THAT IT WILL HONOR EXISTING FOREIGN

B1

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PAGE 01 BEIJIN 18116 02 OF 03 050951Z  
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INFO	LOG-00	ADS-00	AID-00	INR-07	EUR-00	SS-00	OPR-00
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O 050848Z JUL 89 ZFF4  
FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC NIACT IMMEDIATE 2551  
INFO AIT TAIPEI IMMEDIATE  
HGZ/AMCONSUL GUANGZHOU IMMEDIATE 7359  
AMCONSUL HONG KONG IMMEDIATE  
AMCONSUL SHANGHAI IMMEDIATE  
AMCONSUL SHENYANG IMMEDIATE  
AMEMBASSY BANGKOK IMMEDIATE  
AMEMBASSY LONDON IMMEDIATE  
AMEMBASSY MOSCOW IMMEDIATE  
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AMEMBASSY SEOUL IMMEDIATE  
AMEMBASSY TOKYO IMMEDIATE  
USCINCPAC HONOLULU HI IMMEDIATE  
USIA WASHDC IMMEDIATE 8708  
SECDEF WASHDC IMMEDIATE  
AMCONSUL CHENGDU POUCH)

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CONFIDENTIAL SECTION 02 OF 03 BEIJING 18116

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PAGE 02 BEIJIN 18116 02 OF 03 050951Z

E.O. 1 2356: DECL:OADR

TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH

QUBJECT: TFCH01 : SITREP NO. 71 , JULY 5, 1 700 LOCAL

EXCHANGE OBLIGATIONS. REPORTING CABLE DETAILING THE  
MEETING WILL FOLLOW SEPTEL.

/

HELMETED PAP GUARDS STAND WATCH IN FRONT OF  
AUSTRALIAN EMBASSY

9. ON TUESDAY, JULY 4, THE AUSTRALIAN EMBASSY BECAME  
THE SECOND DIPLOMATIC MISSION IN BEIJING TO HAVE  
HELMETED PEOPLE'S ARMED POLICE GUARDS WITH AUTOMATIC  
RIFLES STAND GUARD IN FRONT OF THE EMBASSY GATES.  
UNLIKE AT THE AMERICAN EMBASSY, HOWEVER, THE  
AUSTRALIANS HAVE NOT NOTICED ANY INCREASE IN THE  
NUMBER OF GUARDS.

/

PRESS DENIES VOA REPORT THAT PLA ATTACK WAS DELIBERATE

10. THE JULY 5 PEOPLE'S DAILY AND ENGLISH-LANGUAGE  
CHINA DAILY COMPLAINED ABOUT VOA'S JULY 3 BROADCAST  
CITING AN AMERICAN EMBASSY OFFICIAL AS SAYING THAT  
THE PLA SHOOTING OF THE DIPLOMATIC COMPOUND ON JUNE 7  
WAS DELIBERATE AND PREMEDITATED. THE OFFICIAL PRESS  
SAID THAT PLA SOLDIERS ON THE STREET HAD BEEN  
RESPONDING TO SHOTS FIRED FROM TWO SEPARATE  
DIRECTIONS, CAUSING THE DEATH OF ONE SOLDIER AND  
INJURY TO THREE OTHERS. THE PRESS DENIED THE VOA  
REPORT THAT THE DIPLOMATIC COMPOUND WAS FIRED UPON  
FROM THE BUILDINGS ACROSS THE STREET AND FROM THE PLA  
TROOPS ON THE STREET.

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PAGE 03 BEIJIN 18116 02 OF 03 050951Z

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/ OFFICIAL PRESS ATTACKS CNN REPORTER MIKE CHINOY

11. THE JULY 4 BEIJING DAILY AND JULY 5 MORNING CHINESE LANGUAGE RADIO NEWSCAST ATTACKED MIKE CHINOY AND CNN REPORTING OF THE MASSACRE AS INACCURATE.

A

COMMERCIAL AVIATION SERVICE TO BEIJING SHRINKS

12. BEIJING ECONOMIC SECTION REPORTED JULY 5 (BEIJING 18007) THAT, BASED ON APPROXIMATE CALCULATIONS, LESS THAN 10 PERCENT OF THE NORMAL WEEKLY SUMMER SEAT CAPACITY IS FLYING INTO BEIJING. THIS IS ONE INDICATION OF HOW HARD THE TOURIST SECTOR IS BEING HURT. CHINA'S FLAG CARRIER, CAAC, MAY BE PARTICULARLY HARD HIT. UNITED AIRLINES IS AMONG THOSE FLYING REDUCED SCHEDULES. CATHAY PACIFIC AND DRAGON AIR CAN MAINTAIN THEIR SUMMER SCHEDULE BECAUSE OF HIGH PATRONAGE AS BUSINESSMEN ARE COMMUTING BETWEEN HONG KONG AND BEIJING. LUFTHANSA IS FLYING WITH INSIGNIFICANT LOADS, BECAUSE OF ITS OTHER COMMERCIAL INTERSTS IN CHINA.

/ NPC REVIEWS FINAL STATE ACCOUNTS FOR 1988

13. A MAIN ITEM ON THE JULY 3 EVENING NEWSCAST AND THE LEAD STORY IN THE JULY 4 PEOPLE'S DAILY WAS A REPORT FROM STATE COUNCILLOR AND MINISTER OF FINANCE WANG BINGQIAN. HE REPORTED THAT IN 1988 TOTAL STATE REVENUE WAS 262.802 BILLION YUAN (ABOUT U.S. 71 BILLION DOLLARS), STATE EXPENDITURES REACHED 270.657 BILLION YUAN (ABOUT U.S. 73 BILLION DOLLARS), FOR A DEFICIT OF 7.855 BILLION YUAN (ABOUT U.S. 2 BILLION DOLLARS). WANG SAID THAT THE STATE'S FINANCES

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PAGE 01 BEIJIN 18116 03 OF 03 050951Z  
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CONFIDENTIAL

CONFIDENTIAL  
CONFIDENTIAL

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FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC NIACT IMMEDIATE 2552  
INFO AIT TAIPEI IMMEDIATE  
AMCONSUL GUANGZHOU IMMEDIATE  
AMCONSUL HONG KONG IMMEDIATE  
AMCONSUL SHANGHAI IMMEDIATE  
AMCONSUL SHENYANG IMMEDIATE  
AMEMBASSY BANGKOK IMMEDIATE  
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AMEMBASSY SEOUL IMM  
EDIATE  
AMEMBASSY TOKYO IMMEDIATE  
USCINCPAC HONOLULU HI IMMEDIATE  
USIA WASHDC IMMEDIATE 8709  
SECDEF WASHDC IMMEDIATE  
AMCONSUL CHENGDU POUCH)

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SUBJECT: TFCH01 : SITREP NO. 71 , JULY 5, 1 700 LOCAL

IMPROVED OVER THE PREVIOUS YEAR WITH THE FINANCIAL  
DEFICIT DECREASING 19.4 BILLION YUAN (ABOUT U.S. 5  
BILLION DOLLARS).

/  
NPC REVIEWS NEW DRAFT LAW PLACING NEW RESTRICTIONS ON  
DEMONSTRATIONS

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14. THE JULY 3 EVENING NEWS AND JULY 4 PEOPLE'S

CONFIDENTIAL  
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DAILY REPORTED THAT STATE COUNCILLOR AND PUBLIC SECURITY MINISTER WANG FANG EXPLAINED THE NEW DRAFT LAW SUBMITTED BY PREMIER LI PENG. WANG STATED THAT TIGHTER CONTROLS WILL BE PLACED ON THE HOLDING OF DEMONSTRATIONS. IN ADDITION TO OBTAINING PRIOR PERMISSION, ORGANIZERS OF DEMONSTRATIONS WILL HAVE TO GIVE SECURITY OFFICIALS THE NUMBER OF PARTICIPANTS, NAMES AND ADDRESSES OF ORGANIZERS, AND OTHER DETAILS.

/  
64 DIE IN EAST CHINA FLOODS

15. JULY 4 EVENING NEWS AND JULY 5 PRINT MEDIA REPORTED ON THE TORRENTIAL RAINS WHICH HAS CAUSED FLOODING IN JIANGXI, FUJIAN, ZHEJIANG, AND QINGHAI PROVINCES, AND GUANGXI ZHUANG AUTONOMOUS REGION, AND HAS RESULTED IN 64 DEATHS. UNCONFIRMED REPORTS STATE THAT 3.5 MILLION PEOPLE ARE AFFECTED BY THE FLOODING IN JIANGXI PROVINCE, WITH 370,000 LEFT HOMELESS.

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PAGE 03 BEIJIN 18116 03 OF 03 050951Z

PREMIER LI PENG SAYS CHINA WILL NOT FOLLOW THE CAPITALIST ROAD

16. JULY 3 EVENING NEWS AND JULY 4 PRINT MEDIA COVERED PREMIER LI PENG'S MEETING WITH VISITING JAPANESE CHAIRMAN OF THE DAIWA SECURITIES CO. ECONOMIC RESEARCH INSTITUTE ISAMU MIYAZAKI, WHO WAS IN CHINA TO PRESENT THE CHINESE LEADERSHIP A REPORT FROM THE SCHMIT COMMISSION ON CURRENT GLOBAL ISSUES. PREMIER LI PENG TOLD MIYAZAKI THAT CHINA WILL NOT FOLLOW THE CAPITALIST ROAD FOR "CHINA WOULD BECOME AN APPENDAGE STATE TO CAPITALIST POWERS....TO BECOME REALLY STRONG AND PROSPEROUS, CHINA MUST PRACTISE THE SOCIALIST SYSTEM."

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OFFICIAL PRESS CARRIES ANOTHER ARTICLE FROM A RETIRED COLUMBIA UNIVERSITY PROFESSOR

17. THE JULY 5 PEOPLE'S DAILY CARRIED ANOTHER ARTICLE WRITTEN BY RETIRED COLUMBIA UNIVERSITY PROFESSOR WANG CHI-CHEN WHICH WAS REPORTED TO HAVE APPEARED IN THE NEW YORK DAILY NEWS. PROFESSOR WANG WAS REPORTED TO HAVE WRITTEN THAT THE LEADERSHIP HAD NO CHOICE BUT TO CRUSH THE DEMONSTRATIONS, AND THAT IT WAS BETTER "TO SHED A LITTLE BLOOD" NOW, THAN A LOT LATER. THE

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PEOPLE'S DAILY ARTICLE STATED THAT THE PROFESSOR SAID  
THE U.S. DID NOT UNDERSTAND THE ACTUAL SITUATION IN  
TIANANMEN SQUARE.  
LILLEY

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